



Intellectual Property Law Information Memo

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Electronic Dispatch

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BD. OF TRS. OF THE LELAND STANFORD JUNIOR UNIV. V. ROCHE MOLECULAR SYS., INC.: **STANFORD'S "AGREE TO ASSIGN" ASSIGNMENT CLAUSE DEFEATED BY A SUBSEQUENT ASSIGNMENT**

David Kappos, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (On October 1, 2009, the Court of Appeals for the Federal Circuit issued an opinion in *Stanford v. Roche* on appeal from the Northern District of California. The court held that because Roche has an ownership interest in the patents-in-suit, Stanford lacked standing to bring the action.

In the late 1980's and early 1990's, collaboration between scientists at Stanford and a California biotechnology company called Cetus resulted in technology that used polymerase chain reaction ("PCR") to quantify Human Immunodeficiency Virus ("HIV") in blood samples. The collaboration gave rise to the patents with Stanford as the named assignee.

In 2005, the Board of Trustees of the Leland Stanford Junior University filed suit against Roche Molecular Systems, Inc., alleging that Roche's HIV detection kits (based on PCR technology purchased from Cetus in 1991) were infringing the three patents-in-suit. Roche argued that it had acquired rights to the patents when it purchased Cetus, and pleaded the ownership theory in three forms: (i) as a declaratory judgment counterclaim; (ii) as an affirmative defense; and (iii) as a challenge to Stanford's standing to sue for infringement. On a cross-motion for summary judgment, the district court held that Roche's counterclaim for ownership of the patents was barred by California statutes of limitation. The district court then held that the patent claims in suit were invalid for obviousness. Both parties appealed.

The Federal Circuit agreed with the district court that Roche's ownership counterclaim was barred by the California statutes of limitation, but held that the affirmative defense of ownership was not barred, and that "questions of standing can be raised at any time and are not foreclosed by, or subject to, statutes of limitation."

The court then determined that Cetus (and therefore Roche) had in fact acquired rights to the three patents-in-suit. One of the inventors of the three patents-in-suit, Mark Holodniy, who was also a Stanford employee, signed a "Copyright and Patent Agreement" ("CPA") which stated that he "agree[d] to assign or confirm in writing to Stanford and/or Sponsors that right, title and interest in . . . such inventions as required by Contracts or Grants." Citing two prior Federal Circuit cases, the court held that the language "agree to assign" was merely a promise to assign his invention rights to Stanford at some undetermined future point, not a transfer of an expectant interest. Not only did the CPA not transfer rights, but when Holodniy signed the contract Stanford's Administrative Guide to "Inventions, Patents, and Licensing" stated that: "[u]nlike industry and many other universities, Stanford's invention rights policy allows all rights to remain with the inventor if possible."

Shortly after signing the CPA, Holodniy began visiting Cetus to learn PCR and work on an HIV assay. Holodniy signed a "Visitor's Confidentiality Agreement" ("VCA") with Cetus that stated: "I will assign and do hereby assign to CETUS, my right, title, and interest in each of the ideas, inventions and improvements." The Federal Circuit interpreted the contract language "do hereby assign" to be "a present assignment of Holodniy's future inventions to Cetus," thereby giving Cetus immediate equitable rights in Holodniy's future invention.

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Since the transfer of title to an invention occurs by operation of law once the invention comes into being, Cetus's equitable rights to Holodniy's invention vested no later than the date the parent application was filed (May 14, 1992). By the time Holodniy executed an assignment to Stanford three years later, his rights had already transferred to Cetus and the subsequent assignment was void.

Stanford also argued that it was a bona fide purchaser under 35 U.S.C § 261 (2006), which provides:

“An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.”

The Federal Circuit, however, held that although Cetus and Roche never recorded their interests with the Patent and Trademark Office, Stanford had constructive or inquiry notice of the VCA. Since an organization can be charged with notice of its employees' assignments, Stanford was charged with notice of Holodniy's assignment to Cetus. Additionally, although the CPA stated that Holodniy would “not enter into any agreement creating copyright or patent obligations in conflict with this agreement,” this did not prevent imputation of notice to Stanford.

Stanford also argued that it had a “right of second refusal” to the patents subject to the Government's right of first refusal, under 35 U.S.C. § 202(d) of the Bayh-Dole Act, which provides:

“If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.”

Thus, the district court held, Holodniy could only keep title to his inventions “[i]f a contractor does not elect to retain title to a subject invention.” The Federal Circuit disagreed, holding that the Act does not void an otherwise valid prior transfer of rights. As a result, Stanford was entitled to only those rights that remained after the Government declined to exercise its option.

Since Roche had equitable rights to the patents-in-suit and Stanford was not a bona fide purchaser, Stanford lacked standing to sue and its action was dismissed.

Practical Implications

As the decision in *Stanford v. Roche* demonstrates, assignment clauses should be drafted with language that creates an immediate transfer of intellectual property rights in future works or inventions rather than a mere promise to assign rights in the future. Additionally, employees should consult with their employer or at least be made aware of the relevant assignment issues before entering into third-party confidentiality agreements. And lastly, since an organization can be charged with notice of its employees' assignments, a clause prohibiting an employee from entering into subsequent assignments will not prevent an imputation of notice.

Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 2008-1509r, -1510 (Fed. Cir. Oct. 1, 2009), available at <http://www.cafc.uscourts.gov/opinions/08-1509r.pdf>.

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